

MISSION

The mission of the Louisiana Housing Finance Agency is to assure that every Louisiana resident is granted an opportunity to obtain safe, affordable housing. Each day this ongoing challenge is met by a dedicated staff of professionals who allocate federal and state funds to help low to moderate income citizens make their housing dreams a reality.



INTRODUCTION

SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAM

This Lenders' Guide is intended to serve as a reference tool for the Agency's Single Family Mortgage Revenue Bond Program. With each new issue, a Program Bulletin/Notice is transmitted to all participating lenders, outlining specific parameters of the new bond issue.

The Agency releases four (4) types of programs:

MRB Assisted Program – Assistance Payments equal to 4% of the Mortgage Loan amount will be paid to the borrower at closing to cover part of the down payment and/or closing costs.

MRB Low Rate Program – Low rate or below market rate without assistance. The borrower's investment will be regulated by the particular type of loan being made - FHA, VA, RD or CONVENTIONAL.

Teachers' Assisted – Borrower's income does not exceed 115% of the median income. Borrower must be an active, regular employee of a parish, city, or private school board, holding a Louisiana teacher's certificate.

HOME/MRB Program – Offers low-rate loans to homebuyers who may need help with closing costs or down payment. Assistance ranging from 4.5% to 9% of the mortgage amount is available for eligible homebuyers, subject to the limitations set forth in the following table:

Assistance Payments on HOME-Assisted Program Loans shall not exceed the lesser of (i) the actual charges shown on the HUD I or (ii) the maximum percentages as scheduled below:		
LOAN AMOUNT		Maximum Home Assistance Payment Allowed
\$0	\$25,000	9.00% of loan amount
\$25,001	\$35,000	7.50% of loan amount
\$35,001	\$45,000	6.75% of loan amount
\$45,001	\$55,000	5.75% of loan amount
\$55,001	\$65,000	5.25% of loan amount
\$65,001	\$75,000	4.75% of loan amount
\$75,001	And greater	4.50% of loan amount
Good Faith Estimate must indicate costs that are reasonable and customary. Eligible costs are: Attorney Fees, Recordation Charges, Title Insurance Premium, Survey, Appraisal, Credit Report, Code Compliance Fee, Prepaid Items, Escrows and Energy Audits. Tax Service fees are not eligible.		

The documents and instructions contained in this Lenders' Guide should be used for the reservation of funds and the compliance process. All documents contained in this Lenders' Guide are available on the Agency's website in PDF format. The Internet address is www.lhfa.state.la.us. Check our website often for updates.

ROLES OF PROGRAM PARTNERS

THE ISSUER

The Louisiana Housing Finance Agency issues the bonds and with working group members (Financial Advisor, Bond Counsel, Issuer's Counsel, Underwriters, Master Servicer and Trustee) develops a bond and program structure. The staff of the LHFA administers the reservation and compliance components of the bond program. In this role, staff monitors mortgage loan reservations, tracks program allocations, provides continuous updates to lenders, reviews files for compliance, answers compliance and allocation status questions for lenders and communicates with lenders regarding compliance issues.

PROGRAM LENDERS

Program Lenders qualify borrowers, originate loans, submit information for compliance purposes to LHFA, fund subsidies and close and deliver the program loans to the Master Servicer for purchase.

THE MASTER SERVICER

Currently in their role as Master Servicer, U.S. Bank Home Mortgage purchases, funds and services most of the program loans.

In the case of some initiatives, such as the Rural Development Housing Initiative and the American Dream Down payment Initiative (ADDI), participating lenders service their first, and in the case of Rural Development, second mortgage. In these instances the lenders agree to abide by certain reporting requirements, including but not limited to, providing the Agency with semi-annual (or more frequently) reporting and proof of continued ownership.

TERMS AND CONDITIONS

PROGRAM AREA

Bond proceeds may be used to finance mortgage loans for the purchase of residences throughout the State of Louisiana only.

AVAILABLE FUNDING

Funds are available to all participating Lenders on a first-come, first-served, reservation basis.

SET – ASIDES

There are various set asides in the MRB, MRB Assisted and HOME/MRB programs, which are outlined in the Program Notice/Bulletin. These set-asides are subject to change with each Issue.

ACCEPTABLE LOAN TYPES

Mortgage loans delivered for purchase must be either FHA, Conventional, VA, or RD and must be eligible for pooling in mortgage-backed securities guaranteed by Fannie Mae or GNMA as set forth in the applicable guidelines of Fannie Mae or GNMA. Loans must be 30-year fixed rate, first mortgages. Fannie Mae Flexible Programs, such as Flex 97, are prohibited.

Down payment requirements are determined by mortgage type. Certain restrictions also apply by loan type and compliance requirements. Please ensure that all applicable parameters are met for loan purchase by US Bank Home Mortgage.

UNDERWRITING

The mortgage lender is responsible for credit and collateral underwriting and for determining whether a loan qualifies for a Fannie Mae or GNMA pool. The Master Servicer will not re-underwrite the loans for eligibility in the mortgage-backed securities.

MORTGAGE LOAN CLOSING

A mortgage loan **may not** be closed by a Mortgage Lender until a compliance approval letter (Exhibit C-1) for such mortgage loan is received by the Mortgage Lender. The Master Servicer is not obligated to purchase a Mortgage Loan, which has closed without a compliance approval letter.

DELIVERY

Mortgage lenders are encouraged to quickly close and deliver loans to the Master Servicer. Loans not submitted to the Master Servicer, US Bank Home Mortgage, within 31 days of closing will be assessed a late fee of .25% which will result in a reduction of the purchase price of the mortgage loan. The Master Servicer will not purchase a mortgage loan submitted more than 45 days following closing.

Please note that all loans must close within the parameters outlined in the Program Notice/Bulletin and that loans not meeting these deadlines will cancel automatically without further notice. Additionally, all commitment fees are nonrefundable.

MORTGAGE NOTE RATE

The Mortgage Note Rate is the interest rate assigned to a particular program for the duration of the bond issue or as determined by the set-aside date. Refer to Program Notice/Bulletin for applicable rates.

ACCEPTABLE FEES

The program determines the fees that may be charged and are indicated in the Program Notice/Bulletin. Lenders are permitted to charge reasonable and customary charges for out-of-pocket expenses and costs. Lenders may charge the usual and reasonable settlement costs. Settlement costs include titling and transfer costs, title insurance, survey fees or other similar costs. Other allowable fees include document preparation fees, notary fees, recording or registration charges, prepaid escrow deposits and other similar charges allowable by FHA, VA, RD or Fannie Mae. “Junk” fees are not a defined term and may not be charged. Excessive fees are not permitted in the program.

Originating Lender Compensation – In support of a zero point/zero discount loan format for all loans, the Master Servicer will pay to lenders a 2.25% lender fee plus amounts sufficient to reimburse Assistance Payments on Assisted Loans. Please consult the Program Bulletin/Notice for specific compensation of each program.

INCOME LIMITS

The borrower’s Current Annual Household Income must not exceed established program Income Limits set forth in the corresponding Exhibit G. (One for HOME/MRB program and another for standard MRB programs)

ACQUISITION COST LIMITS

The Acquisition Cost of residential housing to be financed with the Mortgage Loan must not exceed the Acquisition Cost Limits set forth in Exhibits F-1 (for MRB) and F-2 (for HOME/MRB).

TARGETED AREAS

The census tracts within the state which qualify as Targeted Areas are set forth in Exhibit L. Exhibit L-1 lists the Katrina and Rita Zone Parishes which are also targeted areas.

CANCELLATION OF RESERVATION

Reservations may be cancelled online by the person who made the reservation or by submitting Exhibit P to LHFA.

CO-SIGNERS

Co-signers are allowable when meeting the following conditions: (1) a co-signer cannot have any ownership interest in the property (they cannot be on the title) and (2) the co-signer cannot reside in the property being purchased. A co-signer's income is not considered for bond program purposes, tax returns are not required and cosigners do not sign any bond documents. Follow FHA guidelines for credit purposes only.

DIVORCED and SEPARATED APPLICANTS

If the applicant has indicated to the lender that they are divorced, a copy of the divorce decree indicating alimony and/or child support, as applicable, is required. If the applicants are separated, as shown on the 1003, tax returns on the estranged spouse are required and income from that source will be used in determining annual household income. This requirement is applicable for both MRB and HOME/MRB loans.

DOWNPAYMENT AND CLOSING COSTS

The amount of the down payment and closing costs will reflect loan product requirements. The borrower's own funds may be comprised of one or more of the following forms:

1. Gift from relative (for purpose of this paragraph, a relative is defined as the borrower's spouse, child, dependent, domestic partner, fiancé, fiancée, or any other individual related to the borrower by blood, marriage, adoption, or legal guardianship).
2. Unsecured loan or grant from a government entity, the borrower's employer or a nonprofit organization (including churches, but a credit union is not considered to be a nonprofit organization for the purpose of this paragraph).
3. Secured loan that will be a second mortgage

NOTE: HOME/MRB loans cannot have another source of federal funding.

THE RESERVATION PROCESS

LHFA has a web-based reservation system, **Mortgage Compliance Reservation System (MC)**, for lenders not only to reserve loans via the Internet, but also to manage their pipeline. Please periodically review loans that are in your pipeline and cancel those which you know will not close. Should the file already be submitted to LHFA, please notify the Agency in writing (Exhibit P) as soon as possible that you wish to cancel the loan. This will enable the Agency to make funds available to other applicants.

There is a 30 day waiting period after a reservation has been cancelled before the same borrower may make a new reservation

Lenders have direct access via a password protected log-in on the LHFA Website, under Homeownership (Single Family) Department. The lenders are instructed to have a unique log-in and password for each individual that they wish to have access to the system. Apply by selecting “Single Family ID Request Form” under the Program Documents menu listed on the Homeownership page. Shared log-ins and passwords are prohibited and may result in suspension of website usage.

Once the loan has been reserved, the compliance package must be received by LHFA within 60 days from the date of the reservation. The loan must close within 75 days from reservation, however, in no event beyond the date parameters established in the Program Bulletin.

Please refer to the “Over-Income Loans” section of this manual for the reservation process for over-income loans

A non-refundable Compliance Fee of \$75 made payable to Louisiana Housing Finance Agency or LHFA must be included in the compliance package. Packages should be 2-hole punched at the top with documents placed in order as listed on Exhibit H (Compliance Review Checklist).

COMPLIANCE REVIEW

There are requirements imposed by the IRS and the Agency that must be reviewed for compliance with the program guidelines. It is the responsibility of the lenders to review program documents and to originate loans in accordance with the requirements. The Master Servicer is not obligated to purchase loans that do not comply with program terms. The compliance package for each loan must be received by the Agency within sixty (60) from the reservation. Please refer to the “Over-Income Loans” section for over-income compliance guidelines.

Processing Requirements and Forms - The following information applies only with respect to submissions required by the Agency and not to submissions required by RESPA, FHA, VA, Fannie Mae or USDA Rural Housing (formerly FmHA/RECD).

- A. Fannie Mae 1003 must show a physical address (not PO Box) for the borrower covering three years, clearly indicating if the borrower lived with relatives, rented, etc.
- B. Complete, signed, tax returns [3 years for non-targeted areas; most recent year for targeted areas] with all schedules and W-2's and 1099's are required. Federal Recap forms, Tele-Tax and IRS Form 8879 are not allowed. Request a “Tax Return Transcript” along with W2 information from IRS if client cannot provide an actual copy of the filed return. Should a line-by-line print out be supplied from IRS, all schedules and W-2 information must also be provided.
- C. Lenders must complete the bond documents we make available to you on the Agency's website. Re-created forms are not acceptable. Bond documents may be obtained from Agency website – www.lhfa.state.la.us
- D. Good Faith Estimates: **Signed and dated** Good Faith Estimates will be required for all Program Loans.
- E. Appraisal Report Submissions: Pages one, two and six of FNMA Form 1004 plus any pages containing comments must be submitted to the Agency for compliance review. In the case of a doublewide mobile home, please submit a copy of the floor plan with dimensions

Follow normal procedures, which must be modified to include the following program qualifiers:

- **First-time Homebuyer Requirements**

The HOME/MRB Program indicates that the Borrower must not have owned any residence in the three years prior to closing on the current residence.

The MRB Program requires on first time homebuyer details that the borrower must not have owned a primary residence UNLESS the property to be acquired is located in a Targeted Area as set forth in Exhibit L and L-1 or has met waiver qualifications set forth in Section 404 of the Katrina Emergency Tax Relief Act of 2005.

- **Waiver of First-Time Homebuyer Rule**

The first-time homebuyer rules are waived for MRB purposes in the following circumstances:

Residence is being purchased in

- (i) regular targeted areas, consisting of qualified census tracts or areas of chronic economic distress
- (ii) the Katrina Emergency Tax Relief Act of 2005, consisting of 31 Parishes
- (iii) the Rita Zone, consisting of 25 parishes all of which are located in the GO Zone except for Allen, Beauregard, Evangeline, Sabine, St. Landry and Vernon parishes.

In addition to regular targeted areas, there are a total of 37 parishes within which the first-time homebuyer rule does not apply. The first-time homebuyer rule also does not apply anywhere in the State to a purchaser who owned a principal residence on August 28, 2005 that was rendered uninhabitable by reason of Hurricane Katrina (not Rita).

- **MRB Purchase Price Limits Elevated to Targeted Area Limits:**

The MRB purchase price limits are elevated to targeted area purchase price limits for MRB purposes only for purchases of residences located in (i), (ii), and (iii) above in connection with areas in which the first-time homebuyer rule is waived. The targeted area purchase price limits do not apply for purchases of residences outside of (i), (ii) and (iii).

- **MRB Income Limit at Targeted Area Income Limits:**

The MRB income limits are elevated to the targeted area income limits for MRB purposes only for the purchase of residences located in (i), (ii), and (iii) above in connection with areas in which the first-time homebuyer rule is waived. The Targeted Area Income Limits do not apply outside of (i), (ii) and (iii).

- **Eligible Household Income**

Borrowers' household income does not exceed established program income limits as set forth in Exhibit G.

- **Purchase Price**

The purchase price must not exceed the Maximum Permissible Acquisition Cost for Residential Housing Units as set forth in Exhibit F-1 or F-2 as applicable.

- **Eligible Property**

HOME PROGRAM - new and existing, one unit dwelling, condo, townhome, manufactured homes that meet insurer/guarantor requirements are eligible properties. Homes are considered new if never previously occupied.

MRB Assisted, MRB Unassisted, Teachers Assisted - New and existing, one to four family dwellings, condos, townhomes, manufactured homes that meet insurer/guarantor requirements are eligible properties. Homes are considered new if never previously occupied. 2-4 family dwellings must have been occupied at least 5 years prior to the date the Mortgage Loan closes except that in Orleans Parish, a 2-family dwelling can be new, or less than 5 years old since first occupied.

HOME/MRB, MRB Assisted and Unassisted, Teachers Assisted Requirements

1. Primary Residence - Program funds may be used to finance residences that are the primary full-time residence of the borrower **only**. A primary residence is the legal residence of a person. It is also the place where the person lives on a full - time basis. Recreational, seasonal or other types of vacation or non-permanent homes are not eligible under the program.
2. Economic life - remaining economic life of the property may be no less than 30 years as indicated on the appraisal.
3. Ineligible Properties - Mobile, recreational or vacation homes are not eligible under this program.
4. Manufactured housing - manufactured housing qualifies if it is a structure manufactured in a factory after June 15, 1976, which is delivered to a homesite in more than one section and placed on a permanent foundation. The dimensions of the completed house shall not be less than twenty feet by forty feet, the roof must be sloping, the siding and roofing must be the same as those found in a site-built house, and the house must be eligible for thirty year real estate mortgage financing in order to qualify for purchase. Manufactured Housing must meet all applicable guidelines of insurer/guarantor and be insured/guaranteed by same.

- **COMPLIANCE REVIEW CHECKLIST**

Lender must submit required documents listed on the Compliance Review Checklist (Exhibit H). All documents listed are essential to the compliance review process. If documents are incomplete and/or missing, the compliance package may be returned without complete review by the compliance officer. The compliance package must also contain other supplemental information, i.e. divorce and or child support decrees, etc.

QUICK TIPS ON POST CLOSING

The entire closed loan package should be reviewed for completeness and accuracy before shipping to US Bank Home Mortgage.

Deliver final documents to US Bank Home Mortgage timely.

After closing, immediately fax a copy of the Exhibit E and send the original to US Bank Home Mortgage.

Properly disclose all fees on HUD –1.

The Agency in conjunction with US Bank Home Mortgage audits the closed loan files. Should irregularities or compliance issues be discovered, the lender will be required to repurchase the loan pursuant to the Origination Agreements.

To avoid confusion, please notify buyer that their loan will be eventually sold to US Bank Home Mortgage.

Exhibits “101”

Exhibit A – Affidavit of Seller

- Include names of all sellers. Must be signed by all sellers. If the seller is a company or corporation, the individual signing must indicate their position and indicate that they are signing for the company, i.e. John Doe, President for Better Built Home, Inc.
- In #5, mark either “new” or “previously occupied”.

Exhibit B- Borrower’s Affidavit

- Include names and Social Security numbers of all borrowers
- In #11, insert years that tax returns were **not** required to be filed by a borrower
- In #13, insert the total household annual income which should be derived by multiplying the “Total Monthly Income” on Exhibit B(2) x 12.
Refer to **Exhibit G** for applicable Family Income Limits.

Exhibit B(1) – Acquisition Cost Worksheet

- All borrowers and sellers must sign this document
- The acquisition cost of the unit cannot exceed the maximum permissible acquisition cost limit for the program.

Exhibit B(2) – Mortgage Income Eligibility Worksheet

- List all household members, regardless of age or income.
- Sources of Income added together should match “Total Monthly Income”

Exhibit D(1) – Home Project Summary

- **Attachment II** – List all assets separately.
- Any income (actual or imputed) from assets must be included in the total household income calculation – monthly and annual and appropriately listed on all income related documents, i.e. 1003, Exhibit B, Exhibit B(2). If the total cash

value of all the family's assets is \$5,000 or less, the actual income the family receives from the assets is the amount that is included in annual income from assets. If the total cash value of all the family's assets is more than \$5,000, use the greater of the imputed income or actual income.

Exhibit D(2) – Homebuyer Regulatory Agreement

Section 2

- The percentage of the HOME funds Loan Component is determined at the start of each Issue. Please refer to the applicable Program Bulletin for the current percentage. The HOME Funds Grant is the Assistance amount which is determined from the table in this document. These two numbers added together make up the Total HOME Contribution.

Section 13

- In the borrower's information section, indicate the new property address.

Exhibit A Attachment

- Provide the complete, detailed legal description of the property.

Exhibit M – Notice Regarding Potential Recapture Tax

- To complete blanks in Section B and C(i), multiply the loan amount x 6.25%. Do not round off cents. The table on page 2 should **not** be completed.

Exhibit E – Closing Certificate

- Submit a copy to LHFA as soon as possible after the loan has closed, verifying that no information has changed since the compliance package was approved by LHFA.
- Must be dated and signed by the appropriate representative of the company.